GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4236
ANSWERED ON:19.04.2002
LOANS TO SSIS
PUSHPDAN SHAMBHUDAN GADHAVI

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have issued any directives to the nationalised and scheduled banks for providing the easy loan in the State of Gujarat after the earthquake on January 26, 2001;

(b) if so, the details thereof;

(c) the quantum of loan advanced by banks/FIs to the entrepreneurs in the State since February, 2001 till date; and

(d) the other steps taken by the Government to help the small entrepreneurs for upliftment of industrial growth of the State ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): RBI has issued standing guidelines in August 1984, further liberalised in June1998, to be followed by banks in providing immediate relief to the persons affected by natural calamities. However, in view of the heavy loss of life and widespread damage caused by the earthquake on 26.01.2001, in addition to the existing guidelines, a special relief package was advised to Dena Bank Convenor, State Level Bankers` Committee for the State ofGujarat on 12.02.2001 for implementation. The major relief measures are as under:

? To ensure immediate resumption of banking services.
? Freezing of Loan Classification status of affected borrowers on `as-iswhere-is` basis till 31.03.2003.
? Special limits up to Rs. 1 lakh to be sanctioned for restoration/rehabilitation of businesses of small traders, small business, self-employed and small road transporters etc.
? Loans up to Rs. 2 lakh to be granted for repairs/reconstruction of houses/shops.
? Grant additional limits/rescheduling of existing limits to SSI, business, trade and industry with certain relaxations in interest rates.
? Loans up to Rs. 10 lakh to carry rate of interest @ PLR and for loans exceeding Rs. 10 lakh, to be determined at discretion of the financing bank.
? Credit extended for repairs/construction of houses/shops and to small traders, small business, self-employed and small road transporters etc. under the relief package to be reckoned as part of priority sector lending.
? Settlement of claims to be completed within 48 hours and payment upto Rs. 50,000 to be released against Indemnity and Affidavit.
? In case of agricultural loans, no recovery of principal and interest for a period of two years and reschedulement of the amounts not collected during two years for a period upto 7 years.
? Consumption loan upto Rs. 2000/- per eligible beneficiary, even though the Gujarat State has not constituted a Risk fund as envisaged in our existing instructions on the subject.

(c) The progress made by banks in providing relief to the earth quake affected persons in Gujarat is being reviewed periodically at the Monitoring Committee meetings of the State Level Bankers` Committee. As reported by Dena Bank, the relief extended by banks as on 8th March, 2002 is as under :

? Total loans (including SSI loans) to the tune of Rs. 23224 lakh have been sanctioned to 44302 persons of which Rs. 16621 lakh have been disbursed.
? Reschedulement and conversion of loan have been effected in 63807 accounts involving an amount of Rs. 52326 lakh (including SSI accounts).

The loan provided to entrepreneurs, are as under:

? special limits sanctioned upto Rs. 1 lakh to 8191 accounts involving Rs. 6522 lakhs
? loans upto Rs. 2 lakh for repairs/reconstruction of shops/houses-to 2603 accounts involving Rs. 1115 lakh
? additional limits sanctioned upto Rs. 10 lakh to SSI/Trade/Business/Industries to 1778 accounts involving amount of Rs. 4750 lakh.
? reschedulement of existing limits to SSI/business/trade/industry-sanctioned 15676 accounts involving Rs. 10678 lakhs.

(d) The major policy measures taken by Government of India/RBI in the recent past for the development of small-scale industries in the country are as under:

i) Computation of working capital requirements of SSI units on the basis of simplified method ofminimum 20% of the projected annual turnover of the unit for borrowal limits up to Rs. 5 crore.

ii) Banks have been advised to ensure that out of their total funds lent to SSI sector, at least 40% shouldbe made available to units with investment in plant and machinery up to Rs. 5 lakh and 20% should be made available to unit with investment in plant and machinery between Rs. 5 and Rs. 25 lakh.

Thus 60% of the funds earmarked for SSI sector should go to small units in tiny sector.

iii) Increase in the exemption limit for the borrowal account for the obtention of collateral security from Rs. 1 lakh to Rs. 5 lakh for tiny sector.

iv) Raising of composite loan limit from Rs. 10 lakh to Rs. 25 lakh.

v) Inclusion of lending by banks to NBFCs or other intermediaries for the purpose of on-lending to thetiny sector within the ambit of priority sector lending to enhance the reach of banks to the tiny sector.

vi) Introduction of new credit Guarantee scheme for Small Industries by SIDBI, Collateral free loansupto Rs. 25 lakh is covered for guarantee under the scheme.

vii) Banks have been advised to open at least one Specialised SSI branch in each district.

viii) Banks have been advised to fix sub- limits within the overall limit to the large borrowes specifically for meeting the payment obligation in respect of purchases from SSI

ix) Banks have been advised to develop schemes to encourage investment by SSI units in technologyupgradation. Government have also introduced the scheme of Credit linked capital subsidy for the upgradation of the Small Scale Industries.

x) Scheme for granting Rs. 75,000/- to each unit for ISO 9000 certification extended till the end of 10th Plan.